

EAST CENTRAL IOWA
COUNCIL OF GOVERNMENTS

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

YEARS ENDED JUNE 30, 2004, 2003 and 2002

- Prepared By -

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EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>County</u>	<u>Term Expires</u>
David Vermedahl	Vice-Chairperson	Benton	12-31-04
Dawn Pettengill	Member	Benton	12-31-04
Don Magdefrau	Member	Benton	12-31-06
Ric Gerard	Member	Iowa	12-31-06
Charles Montross	Member	Iowa	12-31-05
Gary Edwards	Secretary/Treasurer	Iowa	12-31-04
Henry Herwig	Member	Johnson	12-31-05
Ross Wilburn	Member	Johnson	12-31-04
Larry Wilson	Member	Johnson	12-31-04
Pat Harney	Member	Johnson	12-31-06
Leo Cook	Member	Jones	12-31-05
Dennis Hansen	Member	Jones	12-31-04
Aaron Chittenden	Member	Jones	12-31-06
Lu Barron	Chairperson	Linn	12-31-05
Linda Langston	Member	Linn	12-31-06
Ann Hearn	Member	Linn	12-31-04
Wade Wagner	Member	Linn	12-31-04
Robert Stout	Member	Washington	12-31-05
Ed Brown	Member	Washington	12-31-04
Ed Raber	Member	Washington	12-31-06

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Central Iowa Council of Governments
Cedar Rapids, IA 52401

I have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of the East Central Iowa Council of Governments (ECICOG) as of and for the years ended June 30, 2004, 2003 and 2002. These general purpose financial statements are the responsibility of ECICOG officials. My responsibility is to express an opinion on these general purpose financial statements based on my audits.

I conducted my audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the general purpose financial statements present fairly, in all material respects, the financial position of ECICOG at June 30, 2004, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my reports dated November 9, 2004 on my consideration of ECICOG's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audits were made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audits of the aforementioned financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

November 9, 2004

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
BALANCE SHEETS
JUNE 30, 2004, 2003 AND 2002**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 146,616	\$ 141,424	\$ 213,834
Prepaid expenses	8,831	8,504	5,856
Accounts receivable	48,344	75,574	103,607
Rehab note receivable	896	934	898
Total current assets	<u>\$ 204,687</u>	<u>\$ 226,436</u>	<u>\$ 324,195</u>
Noncurrent assets:			
Rehab note receivable - noncurrent	\$ 1,576	\$ 2,399	\$ 3,263
Investment in environmental house	87,480	35,830	-
Total noncurrent assets	<u>\$ 89,056</u>	<u>\$ 38,229</u>	<u>\$ 3,263</u>
Fixed assets:			
Furniture and equipment	\$ 71,845	\$ 71,845	\$ 68,941
Vehicles - unrestricted	644,442	612,738	648,260
Vehicles - restricted	<u>2,469,020</u>	<u>2,325,048</u>	<u>2,411,213</u>
Total	<u>\$3,185,307</u>	<u>\$3,009,631</u>	<u>\$3,128,414</u>
Less accumulated depreciation	<u>(2,606,626)</u>	<u>(2,520,778)</u>	<u>(2,487,395)</u>
Net fixed assets	<u>\$ 578,681</u>	<u>\$ 488,853</u>	<u>\$ 641,019</u>
Total assets	<u>\$ 872,424</u>	<u>\$ 753,518</u>	<u>\$ 968,477</u>
LIABILITIES AND FUND EQUITY:			
Current liabilities:			
Trade accounts payable	\$ 48,818	\$ 55,966	\$ 77,276
Unearned revenue	-	-	24,859
Accrued benefits payable	14,162	14,287	13,512
Total current liabilities	<u>\$ 62,980</u>	<u>\$ 70,253</u>	<u>\$ 115,647</u>
Fund equity:			
Retained earnings:			
Reserved (Note 2)	\$ 463,474	\$ 391,505	\$ 508,200
Unreserved	345,970	291,760	344,630
Total fund equity	<u>\$ 809,444</u>	<u>\$ 683,265</u>	<u>\$ 852,830</u>
Total liabilities and fund equity	<u>\$ 872,424</u>	<u>\$ 753,518</u>	<u>\$ 968,477</u>

See Notes to Financial Statements.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF RECEIPTS, EXPENDITURES, AND
CHANGES IN RETAINED EARNINGS
YEARS ENDED JUNE 30, 2004, 2003 AND 2002**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
RECEIPTS:			
Federal funds	\$ 509,821	\$ 311,648	\$ 362,555
State funds	320,367	633,122	637,298
Local funds	705,350	528,218	618,630
Interest	1,477	2,018	3,277
Total	<u>\$1,537,015</u>	<u>\$1,475,006</u>	<u>\$1,621,760</u>
EXPENDITURES:			
Salaries and fringe benefits	\$ 514,400	\$ 521,203	\$ 499,116
Payroll taxes	36,388	36,077	32,446
Parking	2,500	2,600	2,655
Travel	26,171	21,868	17,534
Travel - professional development	1,046	2,008	1,400
Utilities	12,323	13,759	12,803
Transit provider payments	471,361	550,031	627,393
Contracted services	37,640	113,746	101,418
Office expense	4,775	5,353	4,737
Printing and copying	1,814	842	3,232
Advertising	634	52	1,405
Dues and subscriptions	7,349	8,070	7,367
Rent	18,000	18,000	18,000
Education and training	3,731	2,864	3,047
Insurance	7,601	5,012	4,463
Repairs and maintenance	2,532	3,062	4,096
Legal and accounting	23,095	8,264	8,206
Depreciation	181,166	227,542	284,816
Freight and postage	4,960	4,552	4,970
Tire recycling expense	-	19,733	45,141
Fuel tax	879	-	-
GRO	7,144	17,877	45,934
JC-FHLB	53,005	10,550	50,760
Safe chemicals project	-	-	9,427
RCC Satellite grant	-	9,046	24,462
Recycling evaluation	-	47,460	30,159
Transit expo	-	-	815
Total	<u>\$1,418,514</u>	<u>\$1,649,571</u>	<u>\$1,845,802</u>
Net transactions before other financing uses	\$ 118,501	\$ (174,565)	\$ (224,042)
Other financing uses:			
Gain (loss) on sale of fixed assets	<u>7,678</u>	<u>5,000</u>	<u>13,220</u>
Net transactions	\$ 126,179	\$ (169,565)	\$ (210,822)
Retained earnings beginning of year	<u>683,265</u>	<u>852,830</u>	<u>1,063,652</u>
Retained earnings end of year	<u>\$ 809,444</u>	<u>\$ 683,265</u>	<u>\$ 852,830</u>

See Notes to Financial Statements.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004, 2003 AND 2002**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:			
Cash received from local sources	\$ 708,433	\$ 573,503	\$ 631,737
Cash received from state operating grants	299,713	406,621	482,791
Cash paid for salaries and benefits	(514,525)	(520,428)	(502,974)
Cash paid for administration	(258,260)	(362,841)	(401,828)
Net cash provided by operating activities	<u>\$ 235,361</u>	<u>\$ 96,855</u>	<u>\$ 209,726</u>
Cash flows from noncapital financing activities:			
Cash received from state grants	\$ 36,012	\$ 107,118	\$ 150,390
Cash received from federal grants	308,307	290,918	253,098
Cash paid to governmental entities for grant contracts	<u>(472,161)</u>	<u>(514,705)</u>	<u>(612,240)</u>
Net cash used for noncapital financing activities	<u>\$(127,842)</u>	<u>\$ (116,669)</u>	<u>\$(208,752)</u>
Cash flows from capital and related financing activities:			
Cash received from federal capital grants	\$ 210,302	\$ 52,859	\$ 133,784
Net acquisition of fixed assets	<u>(263,317)</u>	<u>(72,471)</u>	<u>(130,650)</u>
Net cash used for capital and related financing activities	<u>\$ (53,015)</u>	<u>\$ (19,612)</u>	<u>\$ 3,134</u>
Cash flows from investing activities:			
Cash received for rehab note receivable	\$ 861	\$ 828	\$ 9,723
Cash paid for investment in environmental house	(51,650)	(35,830)	-
Cash received from sale of investment in environmental house	-	-	55,500
Interest received	<u>1,477</u>	<u>2,018</u>	<u>3,277</u>
Net cash used in investing activities	<u>\$(49,312)</u>	<u>\$ (32,984)</u>	<u>\$ 68,500</u>
Net increase (decrease) in cash	\$ 5,192	\$ (72,410)	\$ 72,608
Cash and cash equivalents beginning of year	<u>141,424</u>	<u>213,834</u>	<u>141,226</u>
Cash and cash equivalents end of year	<u>\$ 146,616</u>	<u>\$ 141,424</u>	<u>\$ 213,834</u>
Reconciliation of net transactions to net cash provided by operating activities:			
Net transactions	\$(126,179)	\$ (169,565)	\$(210,822)
Adjustments for long-term non-cash items:			
Depreciation	181,166	227,542	284,816
Gain (loss) on sale of assets	7,678	5,000	13,220
Receipts and expenditures not classified as operating	153,066	53,887	94,711
Change in assets and liabilities:			
(Increase) decrease in prepaid expenses	(327)	(2,648)	(18)
(Increase) decrease in accounts receivables	27,230	28,033	53,117
Increase (decrease) in accounts payable	(7,148)	(21,310)	(46,299)
Increase (decrease) in accrued benefits payable	(125)	775	(3,858)
Increase (decrease) in unearned revenue	<u>-</u>	<u>(24,859)</u>	<u>24,859</u>
Net cash provided by operating activities	<u>\$ 235,361</u>	<u>\$ 96,855</u>	<u>\$ 209,726</u>

See Notes to Financial Statements.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 and 2002

(1) Organization

The East Central Iowa Council of Governments (ECICOG) is an Inter-Governmental Council, established in accordance with provisions of Chapter 28E of the State Code of Iowa (Inter-Governmental Cooperation Agreement). The area of jurisdiction is Region 10 which includes Benton, Iowa, Johnson, Jones, Linn and Washington counties. ECICOG's powers and duties are those authorized by Chapter 28H of the State of Iowa (Councils of Governments). ECICOG provides professional and technical services on a regional basis to maintain area-wide certification for state and federal grant and aid projects. It also provides planning advisory services and assistance in preparing special planning documents and applications to its members. ECICOG also provides transportation services to the elderly, disabled and rural areas through East Central Iowa Transit. In performing its duties, ECICOG may contract with and expend funds from federal, state, and local agencies, public or semi-public agencies and private individuals and Corporations.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles.

(b) Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and Cash Equivalents - The cash balances are invested. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property and Equipment - Fixed assets are accounted for at original cost. Depreciation has been provided over the estimated useful lives using the straight-line method.

Accrued Benefits Payable - Accrued benefits payable are earned vacation leave and compensatory time and have been accrued as liabilities on the balance sheet. These current liabilities have been computed based on rates of pay in effect at June 30, 2004.

Reserved Retained Earnings - Reserved retained earnings represents the portion of federal participation in the purchase of transit vehicles and related equipment. Subsequent disposition of assets purchased with federal funds are subject to certain restrictions.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004, 2003 and 2002**

(3) Cash and Investments

ECICOG's deposits in banks at June 30, 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

ECICOG is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(4) Fixed Assets

A summary of changes in property and equipment comprising fixed assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Furniture and equipment	\$ 71,845	\$ -	\$ -	\$ 71,845
Vehicles	<u>2,937,786</u>	<u>281,852</u>	<u>(106,176)</u>	<u>3,113,462</u>
Total	<u>\$3,009,631</u>	<u>\$281,852</u>	<u>\$(106,176)</u>	<u>\$3,185,307</u>

(5) Pension and Retirement Benefits

ECICOG contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and ECICOG is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. ECICOG's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$25,679, \$26,022, and \$24,897, respectfully, equal to the required contributions for each year.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004, 2003 and 2002**

(6) Operating Lease

ECICOG leases its office space on an operating lease basis. The lease calls for lease payments as described below. In addition, ECICOG is responsible for any leasehold improvements. Total rental and lease expense for the year ended June 30, 2004 was \$18,000.

Future rental payments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2005	\$18,000
2006	12,000
	<u>\$30,000</u>

(7) Note Receivable

ECICOG has a note receivable for additional home rehabilitation work completed. The note is interest bearing at 4%. As of June 30, 2004, remaining principal on the note receivable is \$2,472. The short-term portion of the receivable is \$896.

(8) Risk Management

ECICOG is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
 STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
 YEAR ENDED JUNE 30, 2004

	<u>STA Operating Assistance</u>	<u>Section 16 Operating 16-0028- 100-04</u>	<u>Section 3 Capital 03-0095- 100-02</u>
Operating Expenses:			
Personal Services	\$ -	\$ -	\$ -
Contractual	299,713	481,008	-
Commodities	-	-	-
Capital Outlay	-	-	263,511
Prior Year	-	-	54,539
	<hr/>	<hr/>	<hr/>
Project Cost	\$ 299,713	\$ 481,008	\$ 318,050
Grant Participation in Project Cost	<u>100%</u>	<u>80%</u>	<u>80/83%</u>
 Percentage Participation	 <u>\$ 299,713</u>	 <u>\$ 384,806</u>	 <u>\$ 255,568</u>
 Contract Amount	 <u>\$ 299,713</u>	 <u>\$ 226,779</u>	 <u>\$ 283,860</u>
Permissible Grant (Contract Amount or Percentage Participation)	\$ 299,713	\$ 226,779	\$ 255,568
Less: Grant Payments received in current fiscal year	(299,713)	(226,779)	(210,302)
Less: Grant Payments received in prior year	-	-	(45,266)
	<hr/>	<hr/>	<hr/>
Grant Receivable/(Payable) at June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

Fellowship Grants						
<u>TF</u> <u>03-097-50</u>	<u>TF</u> <u>03-142-50</u>	<u>TF</u> <u>04-112-50</u>	<u>TF</u> <u>04-145-50</u>	<u>04-RPA-R10</u>	<u>03-RPA-R10</u>	<u>04-SPR-RPA10</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1,768	100	84,675	-	5,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,601</u>	<u>236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,983</u>	<u>-</u>
\$ 1,601	\$ 236	\$ 1,768	\$ 100	\$ 84,675	\$ 39,983	\$ 5,000
<u>50%</u>	<u>50%</u>	<u>50%</u>	<u>50%</u>	<u>80%</u>	<u>80%</u>	<u>100%</u>
<u>\$ 800</u>	<u>\$ 118</u>	<u>\$ 884</u>	<u>\$ 50</u>	<u>\$ 67,740</u>	<u>\$ 31,986</u>	<u>\$ 5,000</u>
<u>\$ 800</u>	<u>\$ 118</u>	<u>\$ 884</u>	<u>\$ 50</u>	<u>\$ 67,740</u>	<u>\$ 47,104</u>	<u>\$ 5,000</u>
\$ 800	\$ 118	\$ 884	\$ 50	\$ 67,740	\$ 31,986	\$ 5,000
(800)	(118)	-	-	(67,740)	(9,684)	(4,104)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,302)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 884</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 896</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
 STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
 YEAR ENDED JUNE 30, 2004

	<u>00-E500-06</u>	<u>03-G550-32</u>	<u>03-G550-40</u>	<u>RCC 00-G592-05</u>
Operating Expenses:				
Personal Services	\$ -	\$ -	\$ -	\$ -
Contractual	34,715	-	8,264	-
Commodities	-	-	-	-
Capital Outlay	-	-	-	-
Prior Year	<u>104,152</u>	<u>19,660</u>	<u>10,982</u>	<u>107,876</u>
Project Cost	\$138,867	\$ 19,660	\$ 19,246	\$ 107,876
Grant Participation in Project Cost	<u>33%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Percentage Participation	<u>\$ 45,825</u>	<u>\$ 19,660</u>	<u>\$ 19,246</u>	<u>\$ 107,876</u>
 Contract Amount	 <u>\$ 45,825</u>	 <u>\$ 20,000</u>	 <u>\$ 19,246</u>	 <u>\$ 109,500</u>
Permissible Grant (Contract Amount or Percentage Participation)	\$ 45,825	\$ 19,660	\$ 19,246	\$ 107,876
Less: Grant Payments received in current fiscal year	(22,912)	(450)	(2,567)	(9,164)
Less: Grant Payments received in prior year	<u>(22,913)</u>	<u>(19,210)</u>	<u>(10,982)</u>	<u>(98,712)</u>
 Grant Receivable/(Payable) at June 30, 2004	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 5,697</u>	 <u>\$ -</u>

See Accompanying Independent Auditor's Report.

Total
\$ -
915,243
-
263,511
339,029
\$1,517,783

-%
\$1,239,272

\$1,126,619

\$1,081,245
(854,333)
(219,385)

\$ 7,527

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Indirect:			
Department of Transportation:			
Iowa Department of Transportation:			
Urban Mass Transportation Technical Studies Grants:			
FHWA STP/FTA Section 18	20.515	04-RPA-R10	\$ 67,740
	20.515	04-SPR-RPA10	<u>5,000</u>
			<u>\$ 72,740</u>
Federal Transit Administration:			
Discretionary Capital Grant:			
Section 3	20.500	03-0095-100-02	<u>\$210,302</u>
Federal Transit Administration:			
Elderly and Disabled Grant:			
Section 16	20.513	16-0028-100-04	<u>\$226,779</u>
 Total			 <u>\$509,821</u>

See Accompanying Independent Auditor's Report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors
East Central Iowa Council of Governments:

I have audited the general purpose financial statements of the East Central Iowa Council of Governments as of and for the years ended June 30, 2004, 2003 and 2002 and have issued my report thereon dated November 9, 2004. I conducted my audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether ECICOG's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about ECICOG's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during my audit of the general purpose financial statements of ECICOG. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered ECICOG's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect ECICOG's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described above, which is item II-A-04, is a material weakness. Item II-A-04 is the same reportable condition as the prior year.

This report, a public record by law, is intended solely for the information and use of the East Central Iowa Council of Governments officials, employees and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of ECICOG during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

November 9, 2004

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Directors
East Central Iowa Council of Governments:

Compliance

I have audited the compliance of East Central Iowa Council of Governments (ECICOG), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2004. ECICOG's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of ECICOG's management. My responsibility is to express an opinion on ECICOG's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ECICOG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on ECICOG's compliance with those requirements.

In my opinion ECICOG complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of ECICOG is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered ECICOG's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted one matter involving the internal control over compliance and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect ECICOG's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in Part III of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. I believe the reportable condition described above, item III-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and members of ECICOG and other parties to whom ECICOG may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

November 9, 2004

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, which was a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major program was disclosed by the audit of the financial statements, which was a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 20.500 Capital Investment Assistance Project and CFDA Number 20.515 FTA State Planning and Research.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$500,000.
- (i) ECICOG did not qualify as a low-risk auditee.

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash revenues and expenditures are all done by the same individual.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However ECICOG should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements: (continued)

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. ECICOG could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted

REPORTABLE CONDITION:

CFDA Number 20.500: Capital Investment Assistance Project
Federal Award Year: 2004
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

CFDA Number 20.515: FTA State Planning and Research
Federal Award Year: 2004
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

III-A-04 The Agency did not properly segregate custody, recordkeeping and reconciling functions for revenues and expenditures, including those related to Federal programs. See audit finding II-A-04.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-04 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-04 Travel Expense - No disbursements of ECICOG money for travel expenses of spouses of ECICOG officials or employees were noted.

IV-D-04 Business Transactions - No business transactions between ECICOG and ECICOG officials or employees were noted.

IV-E-04 Bond Coverage - Surety bond coverage of ECICOG officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

Part IV: Other Findings Related to Statutory Reporting: - continued

IV-F-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and ECICOG's investment policy were noted.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Summary Schedule of Prior Federal Audit Findings
Year Ended June 30, 2004

<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
Segregation of duties over Federal revenues and expenditures	Not corrected	Plan to segregate duties for custody, recordkeeping and reconciling among the staff.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Corrective Action Plan for Federal Audit Findings
Year Ended June 30, 2004

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
III-A-04	Segregation of Duties over Federal Revenues and Expenditures	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings.	Douglas Elliott Executive Director (319) 365-9941	Unknown

November 24, 2004

Office of Auditor of State
State of Iowa
State Capitol Building
Des Moines, IA 50319

RE: Audit of the East Central Iowa Council of Governments for the year ended June
30, 2004

Gentlemen:

I have enclosed a copy of the news release, a copy of my bill to ECICOG, and two
copies of the Audit Report. I will appreciate your comments and suggestions.

Sincerely yours,

Larry Pump, CPA

jlp
Enclosures

Cedar Rapids Gazette
Cedar Rapids, IA 52401

N E W S R E L E A S E

FOR RELEASE November 24, 2004

Larry Pump, CPA, Charles City, Iowa, today released an audit report on the East Central Iowa Council of Governments (ECICOG), Cedar Rapids, Iowa, for the year ended June 30, 2004.

ECICOG's revenues totaled \$1,537,015 and included \$830,188 in federal and state funds; \$705,350 in membership dues and program reimbursements and \$1,477 of interest income.

Expenses for the year totaled \$1,418,514 and included \$514,400 for salaries and benefits; and \$471,361 for transit transportation costs and general administration.

A copy of the audit report is available for review in the Office of Auditor of State and the ECICOG office.

#

November 24, 2004

Federal Audit Clearinghouse
U. S. Bureau of the Census
1201 East 10th Street
Jeffersonville, IN 47132

Gentlemen:

I have enclosed the following audit report in accordance with Office of Management and Budget Circular A-133:

East Central Iowa Council of Governments, Cedar Rapids, Iowa:
Audit Period: Year ended June 30, 2004

The reporting package can be located starting on page 18 of the audit report.

Please call if you have any questions.

Sincerely,

Larry Pump, CPA

jlp
enclosures

November 24, 2004

Iowa Department of Economic Development
200 East Grand Avenue
Des Moines, IA 50309

RE: East Central Iowa Council of Governments
Cedar Rapids, Iowa

Gentlemen:

As requested, I am submitting two copies of the audited financial statements of the above-referenced governmental unit for the year ended June 30, 2004.

Please call if you have questions.

Sincerely yours,

Larry Pump, CPA

jlp
enclosures

November 24, 2004

Mr. J. P. Golinvaux
Iowa Department of Transportation
Air and Transit Division
Park Fair Mall
100 East Euclid, Suite 7
Des Moines, IA 50313

RE: East Central Iowa Council of Governments
Cedar Rapids, Iowa

Dear Mr. Golinvaux:

I am submitting two copies of the audited financial statements of the above-referenced governmental unit for the year ended June 30, 2004.

Please call if you have questions.

Sincerely yours,

Larry Pump, CPA

jlp
enclosures

November 24, 2004

Mr. Lee Benfield, Planner
Iowa Department of Transportation
430 - 16th Avenue SW
Cedar Rapids, IA 52404

RE: East Central Iowa Council of Governments
Cedar Rapids, Iowa

Dear Mr. Benfield:

I am submitting three copies of the audited financial statements of the above-referenced governmental unit for the year ended June 30, 2004.

Please call if you have questions.

Sincerely yours,

Larry Pump, CPA

jlp
enclosures

November 19, 2004

Mr. Doug Elliott, Executive Director
East Central Iowa Council of Governments
108 Third Street, S.E., Suite 300
Cedar Rapids, IA 52401

Dear Doug:

I have enclosed twenty-five copies of the audit report for the year ended June 30, 2004.

I will see you on November 23, 2004, at your Board meeting.

Please call if you have any questions.

Sincerely yours,

Larry Pump, CPA

jlp
enclosures

